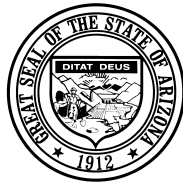


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FOR IMMEDIATE RELEASE

U.S. Supreme Court decides against Arizona in *Hibbs v. Winn et al.*

(Phoenix, Ariz. – June 14, 2004) Attorney General Terry Goddard today expressed disappointment at the U.S. Supreme Court's decision that tax credits can be challenged in federal court.

"Unfortunately, the Court's decision is part of a continuing erosion of states' rights," Goddard said. "I am disappointed that the U.S. Supreme Court in this decision did not support our federal system or the congressional intent expressed in the Tax Injunction Act, that state courts should have the last word on challenges to state tax actions."

Mr. Goddard argued the case before the Supreme Court in January. He maintained that because of the Tax Injunction Act federal courts did not have jurisdiction to hear a lawsuit challenging the tax credits adopted by the Arizona State Legislature for contributions to private schools.

The case stems from a 1997 law enacted by the Arizona State Legislature allowing taxpayers to reduce their state tax liability by claiming a credit for amounts they have paid to a school tuition organization ("STO"). Specifically, the statute permits any person owing \$500 or more in Arizona income taxes in any tax year to reduce their state tax liability by up to \$500 if a contribution is made to an STO. The Arizona Legislature raised the maximum credit allowed for a married couple to \$625 per year, effective January 1, 2001. STOs must use the donated funds to provide scholarships to students attending private elementary and secondary schools in Arizona and may provide scholarships to students attending religious schools.

As a result of the Court's action, the challenge to the constitutionality of Arizona's tax credits now will be decided by the U.S. District Court for the District of Arizona. To read the decision in its entirety, please visit the AG Web site at www.azag.gov and click on Press Releases.

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